

Message Text

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ACTION EB-08

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AMEMBASSY ANTANARIVO
AMEMBASSY JAKARTA
AMEMBASSY DAR ES SALAAM

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TAGS: ETRD, ID, MA, TZ
SUBJECT: TANZANIA-MADAGASCAR CLOVE ORGANIZATION GOES TO INDONESIA

REF: (A) 77 ANTANANARIVO 814 (NOTAL); (B) 77 ANTANANARIVO 2306
(NOTAL); (C) 77 ZANZIBAR 120 (NOTAL)

BEGIN UNCLASSIFIED

1. FOLLOWING MEETINGS IN DAR ES SALAAM DURING THE LAST WEEK IN FEBRUARY, A JOINT TANZANIAN-MALAGASY TEAM OF NEGOTIATORS WENT TO JAKARTA THIS WEEK TO BARGAIN OVER CLOVE SALES. MADAGASCAR'S NEGOTIATING TEAM IS LED BY JUSTIN RARIVOSON, MINISTER OF ECONOMY AND COMMERCE WHILE THE TANZANIAN SIDE IS LED BY HAMDAN MUHIDDIN, THE ZANZIBAR MINISTER FOR EXTERNAL TRADE. ALI KARUME, ZANZIBAR'S JUNIOR MINISTER FOR EXTERNAL TRADE, AND THE TANZANIAN MINISTER FOR TRADE ALPHONSE M. RULEGUAR ARE ALOS IN THE TANZANIAN DELEGATION.

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2. ACCORDING TO RADIO AND NEWSPAPER REPORTS FROM TANZANIA, THE INDONESIAN TRADE MINISTER, RADIUS PRAWIRO, WARNED HIS TANZANIAN AND MALAGASY COUNTERPARTS ON MARCH 4 THAT IF THEY DID NOT LOWER THEIR PRICES INDONESIA WOULD STOP IMPORTING CLOVES FROM THE TWO COUNTRIES. THE INDONESIANS CLAIM THAT CLOVE PRICES HAVE INCREASED MORE THAN 62 PER CENT DURING THE PAST SEVEN YEARS.

3. LAST APRIL TANZANIA AND MADAGASCAR ESTABLISHED THE TANZANIA-MADAGASCAR CLOVE ORGANIZATION (TAMCO) TO JOINTLY MARKET THE CROP AND KEEP PRICES HIGH. THE COMMERCIAL ACCORD SIGNED IN ANTANANARIVO BY RARIVOSON AND KARUME WAS MEANT TO KEEP BUYERS FROM OBTAINING CLOVES AT LESS THAN THE WORLD MARKET PRICE, WHICH WAS \$7,200 PER LONG TON IN 1977. THAT PRICE HAS BEEN ADJUSTED THIS YEAR TO \$7,500 PER LONG TON IN ORDER TO MAKE UP FOR THE DOLLAR'S DECLINE.

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4. INDONESIA HAS IN RECENT YEARS PURCHASED NEARLY 80 PER CENT OF ZANZIBAR'S CLOVES AND ABOUT 50 PER CENT OF MADAGASCAR'S CLOVE CROP. SALES TO INDONESIA ARE VITALLY IMPORTANT FOR ZANZIBAR, WHICH IS SEMI-AUTONOMOUS FROM THE REST OF TANZANIA AND GETS 90 PER CENT OF ITS HARD CURRENCY FROM CLOVE EXPORTS. INDONESIA HAS NEVER PAID THE WORLD PRICE TO EITHER ZANZIBAR OR MADAGASCAR. LAST YEAR ZANZIBAR SOLD CLOVES TO INDONESIA FOR AS LITTLE AS \$4,500 A TON. THESE SALES BY ZANZIBAR UNDERCUT THE PRICE LEVEL MADAGASCAR INSISTED ON MAINTAINING AND AS A RESULT, MADAGASCAR WAS LEFT WITH A LOT OF UNSOLD CLOVES. MADAGASCAR COMPLAINED ABOUT THE SITUATION TO TANZANIAN FOREIGN MINISTER BENJAMIN MKAPA DURING HIS VISIT TO ANTANANARIVO LAST DECEMBER. MKAPA, UPON HIS RETURN TO TANZANIA CAME OVER TO ZANZIBAR TO RELAY THE MALAGASY COMPLAINTS TO TANZANIAN VICE PRESIDENT ABDOU JUMBE, WHO IS ALSO PRESIDENT OF LIMITED OFFICIAL USE

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ZANZIBAR.

5. COMMENT: THE REASON FOR SENDING A JOINT TANZANIAN-MALAGASY TEAM TO INDONESIA UNDOUBTEDLY TO INSURE THAT NEITHER TAMCO PARTNER UNDERCUTS THE OTHER. FOR ADDED INSURANCE, TWO MEMBERS OF TANZANIAN (MAINLAND) GOVERNMENT, RULEGURA AND COMMISSIONER FOR FOREIGN TRADE GILMAN RUTIHINDA, ARE WITH THE DELEGATION IN JAKARTA TO POLICE THE ZANZIBARIS. THE MAINLAND DOES NOT GROW CLOVES ITSELF, HAS NO ECONOMIC INTEREST IN CLOVE SALES AND HAS TRADITIONALLY LEFT THE ZANZIBARIS ALONE TO DO WHAT THEY LIKE IN THIS AREA. BUT THE MAINLAND IS INTERESTED IN PROMOTING CLOSER TIES WITH MADAGASCAR AND WANTS TO MAKE CERTAIN THAT THE ZANZIBARIS DO NOTHING TO SET BACK THE GROWING "SOCIALIST" LINKS BETWEEN THE TWO COUNTRIES. ZANZIBAR, FOR ITS PART, NEEDS THE BEST PRICE IT CAN GET FOR ITS CLOVES THIS YEAR SINCE ITS 1977-78 CLOVE HARVEST WAS THE WORST IN MODERN TIMES: ONLY 3,000 TONS COMPARED WITH 6,000 TONS IN 1976-77 AND 9,000 TONS THE YEAR BEFORE. ZANZIBAR PROBABLY RESENTS MAINLAND INTERFERENCE IN ITS CLOVE AFFAIRS, BUT IS NOT IN A POSITION TO DO ANYTHING ABOUT IT.

6. ZANZIBAR AND MADAGASCAR ARE VULNERABLE TO INDONESIA'S THREAT TO IMPORT NO CLOVES. INDONESIA PRODUCES ITS OWN CLOVES TO FLAVOR

CIGARETTES BUT TO DATE THE HIGHER QUALITY ZANZIBAR AND MADAGASCAR CLOVES PRODUCE THE FLAVOR THAT SATISFIES BEST. INDONESIA, WHICH IS SEEKING SELF-SUFFICIENCY IN CLOVES, MAY DECIDE THAT INDONESIAN CIGARETTE SMOKERS WILL HAVE TO MAKE DO WITH INDONESIAN FLAVOR. INDONESIA'S STRONG BARGAINING POSITION THUS MEANS THAT ANY SALES TAMCO MAKES THIS YEAR TO INDONESIA WILL BE CONSIDERABLY BELOW THE WORLD MARKET PRICE.

7. GIVEN THE TANZANIAN AND MALAGASY VULNERABILITY TO INDONESIAN ACTIONS, TAMCO IS TRYING TO FIND WAYS TO INCREASE CLOVE SALES TO OTHER COUNTRIES, INCLUDING THE UNITED STATES, INDIA AND EUROPEAN COUNTRIES. OTHER MARKETS COULD BE STRETCHED TO TAKE PERHAPS AN ADDITIONAL 30 PER CENT OF THE AVERAGE CLOVE OUTPUT OF THE TWO COUNTRIES, BUT NOT THE 10,000 TONS OF TAMCO LIMITED OFFICIAL USE

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WOULD LIKE INDONESIA TO PURCHASE THIS YEAR, AND THE PRICE WOULD UNDOUBTEDLY SUFFER AS A CONSEQUENCE.
SHIPPY

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